

Date: January 6, 2012

To: The Postal Regulatory Commission

From: Erich Bloxdorf, Interim President & CEO, Greater Springfield Chamber of Commerce

Re: Closing of Springfield, Illinois Mail Processing Center & Nation Wide Consolidation Plan

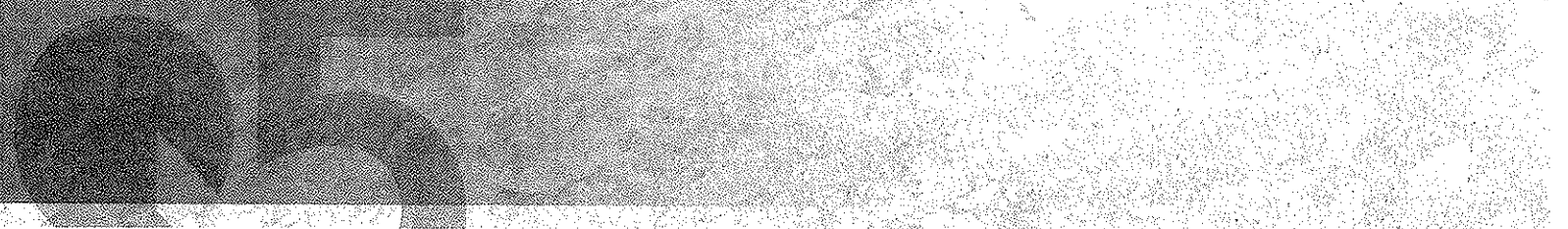
As the organization that represents more than 1,800 businesses in the greater Springfield, IL area, we are greatly concerned about the impact of the United States Postal Service proposal to consolidate our mail processing operations into St. Louis, MO. We believe this will reduce service quality and increase costs, affecting our members' profitability and operations. As important, Springfield will lose up to 300 jobs in an area of the community that qualifies as an "Area of Greatest Need," according to the Federal Housing and Urban Development.

Not only do we believe that moving operations out of Springfield will be bad for our community – but we don't believe the move serves the best interests of USPS, either. Our facility in Springfield is one of the top-performing in the nation. By the USPS' own internal audit, the St. Louis facility is one of the worst. Adding the processing volume of our facility into St. Louis holds the potential for serious mail delays and reductions in service to USPS customers. There are alternate solutions that would allow us to find important common ground; where USPS can achieve necessary cost-efficiencies while maintaining the high quality service standards provided by the Springfield center.

In this letter, we outline The Chamber's main areas of concern, which focus on five key areas: reduction in services, loss of jobs in Springfield, lack of transparency, lack of alternative considerations being studied and projected savings that simply do not add up.

Reduction in Services

The Chamber of Commerce recognizes that the Postal Service needs to manage its bottom line and streamline its operations. We represent businesses that continuously look for efficiencies to maximize profits. However, businesses need to maximize customer satisfaction as well. Raising rates and reducing services is not a sustainable business plan for the USPS.



We are concerned with the proposal to move our processing operations to the 2nd worst processing center in the nation, St. Louis, Missouri. According to an internal audit conducted by USPS in 2010, the St. Louis processing center is the 2nd worst processing center for delayed mail. If the center cannot adequately handle the mail it has right now, we do not believe it can handle the additional 1.5 million pieces a day that Springfield currently handles. Many of our mailing industries are extremely concerned about service standards in the St. Louis mail processing operation, as this move will dramatically impact their business. If USPS is interested in maintaining higher levels of service, they should consolidate facilities *into* Springfield, where we have a proven track record of success.

Springfield is the capitol of Illinois and home to the majority of state government operations. This also means we are home to many of the State's trade associations and not-for-profits. Since 90% of the Postal Services' customers are government, business and not-for-profits, we believe transferring operations away from such a heavy client base is not in the best long-term interest of USPS.

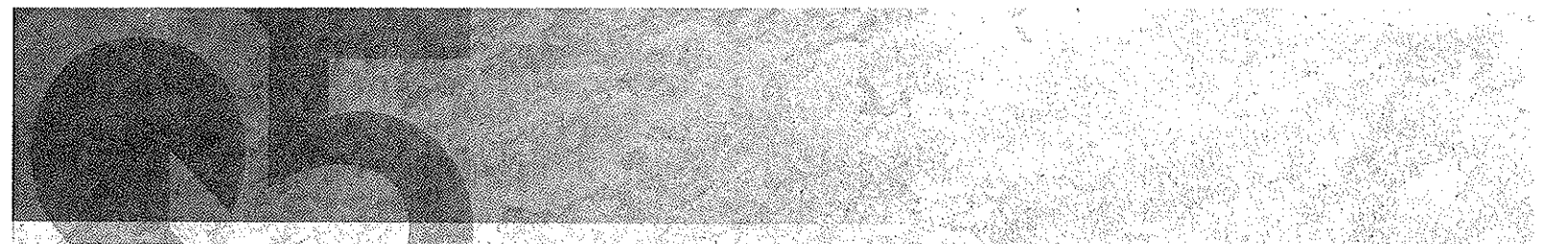
The Chamber would like to submit the 2010 internal audit of the St. Louis Missouri operations as part of our comments.

Loss of Jobs

The Chamber realizes that USPS' top priority is not keeping jobs in Springfield. However, it is our top priority, and we would like the negative economic impact to be part of the record. If the processing center is moved to St. Louis, our community and the State of Illinois could lose as many as 300 primary jobs and \$23.5 million in annual employee compensation. The indirect loss is projected to be an additional 145 jobs and \$5.7 million in compensation. These are just estimates of the numbers of jobs Springfield could lose; USPS has not confirmed the number of jobs that will be lost in Springfield if the processing center is moved to St. Louis. We are also concerned about businesses in the private mailing industry leaving our community and relocating where there is a processing center or being forced to close. The economic impact study of losing these jobs is attached to this letter.

Lack of Transparency

We are alarmed by the lack of transparency throughout USPS' study process to consolidate processing centers and to close post offices. We recently received a one-page document



outlining potential savings if the Springfield mail processing center were to consolidate into St. Louis. We have been unable to get any kind of clarification or justification of the projected cost savings. Chamber staff has asked several people within the Postal Service and have been told that reasoning is not available.

Two items that are particularly troubling are the “potential annual savings” for maintenance costs and transportation costs. It is reasonable to assume a slight decrease in maintenance costs; however, the figure given of \$1.4 million seems high unless this is not a net savings estimate that accounts for additional maintenance costs associated with consolidating the Springfield facility into St. Louis. We have not yet been told if the number is net or gross savings and if additional building and machine maintenance cost associated with processing center consolidation is factored into the study. We have asked for specifics and have not found someone at USPS who understands how that number was determined. If no one knows how the cost savings was determined, how do we know it will produce a cost savings?

It also appears unlikely that USPS will see a reduction in transportation costs when it will need to transport more mail from a greater distance. It is logical to assume that when transportation needs increase, transportation costs increase. Again, no justification of proposed cost savings was ever received.

An example of proposed cost savings without justification can be found in the closure of the retail postal station in the Stratton Office Building, which is adjacent to the State Capitol Building. The services would be shifted to a downtown location three blocks away. While this is a rational solution, the projected savings touted by the Postal Service seems unrealistic. With the station being manned by a single individual, it is hard to understand how the Postal Service will save \$48 million over 10 years. Again, there has been no information made available by the Postal Service and the spokesperson does not “know how the figure was computed.”

Given the dramatic consequences of USPS’ proposal to our community, we feel in the dark about the rationale behind it. Without the necessary data to support the proposal, we do not feel that we can trust the study process or the purported outcomes.

The Chamber believes an official audit of the savings that are associated with any USPS station and processing center should be made public before the facility is allowed to close. We also believe the audit should be made available before the mandated public hearing. Without solid numbers that outline the business case for closure, the public cannot provide meaningful input.

Lack of Alternatives

We believe the USPS study process should more resemble an Environmental Impact Study with alternative analysis being proposed and vetted for consideration. There are alternatives to the current proposal that make better sense for Springfield, our state, and USPS.

As we noted previously, the St. Louis, Missouri processing center is the 2nd worst in the nation for delayed mail and more than 100 miles away from Springfield. The Centralia, Illinois facility is 60 miles away from St. Louis but is being proposed to consolidate with Evansville, Indiana – more than 115 miles away without interstate access. Additionally, we don't believe that common mailing destinations would be found in out-of-state processing centers.

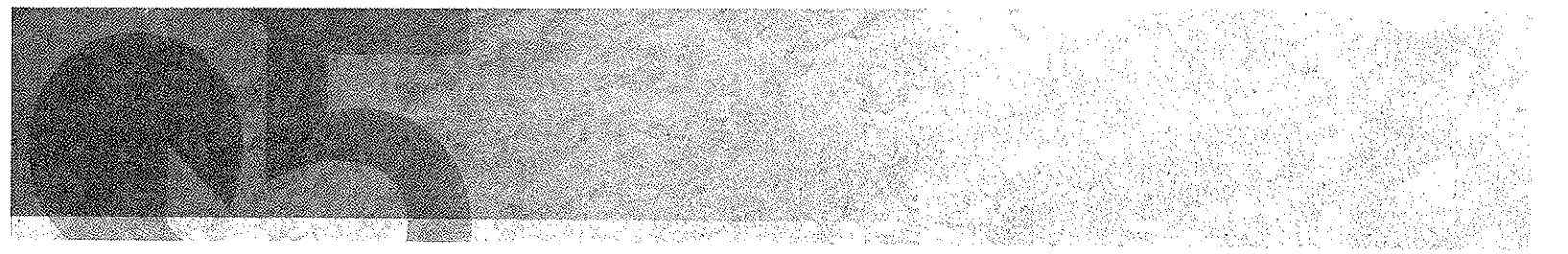
As part of this process, it would make sense to study alternatives such as consolidating the Quincy, IL processing center with the Springfield, processing center since they are closer in proximity, easily accessed by interstate, and will most likely provide more common mailing destinations. All of these factors would reduce transportation costs.

It would also be in the interest of the USPS to consider a common processing center in southern Illinois, instead of moving many facilities out of State. Centralia, Carbondale, Effingham and Paducah, Ky. could consolidate to reduce employee and management compensation and transportation costs.

These, of course, are just alternatives to consider. However, there does not seem to be any analysis of alternative options that could better serve ratepayers and provide a cost savings to USPS. We need a nationwide network study that identifies real cost savings and long-term profitability for USPS. We want to work with the PRC and the USPS to be part of a solution that is better for Springfield and the nation's mail network.

Increased Cost

The Chamber is also concerned that should the Springfield processing center move to St. Louis, our government bodies, businesses and not-for-profits could lose their Sectional Center Facility (SCF) rates. If the SCF rates disappear, this could result in a 20% – 35% increase to the bulk mail rate that represents 90% of USPS businesses. The Chamber hopes USPS will consider the



elasticity of demand. This will force many of our organizations to take their business away from USPS. Studies should reflect how increased costs will influence customer behavior.

In conclusion, The Chamber hopes the USPS will look into alternate means of consolidating processing centers and cutting costs. We understand the financial strain USPS is under and want to see a sustainable 21st century business plan. Currently USPS and Congress have agreed to delay facility closures until May 15; however, we believe it should begin anew with transparency, unambiguous data and clear rationale. In the information age, the USPS needs to find ways to move at the speed of life. Dismantling the worlds' greatest mail delivery system to reduce services and delay mail delivery is not a sustainable business plan.

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OFFICE OF
**INSPECTOR
GENERAL**
UNITED STATES POSTAL SERVICE

Postal Service Performance During the 2010 Fall Mailing Season

Audit Report

September 7, 2011

Report Number NO-AR-11-007



OFFICE OF
**INSPECTOR
GENERAL**
UNITED STATES POSTAL SERVICE

HIGHLIGHTS

September 7, 2011

Postal Service Performance During the 2010 Fall Mailing Season

Report Number NO-AR-11-007

IMPACT ON:

Mailers and customers during the 2010 Fall Mailing Season.

WHY THE OIG DID THE AUDIT:

Mailers expressed concerns over the substantial amount of delayed Standard Mail® and Periodicals during the 2010 Fall Mailing Season.

WHAT THE OIG FOUND:

During the 2010 Fall Mailing Season, the U.S. Postal Service had more than 3.4 billion delayed mailpieces, a 37-percent increase compared to the same period last year. Approximately 95 percent of this delayed mail was Standard Mail. This adversely impacted service and resulted in approximately \$10.9 million in revenue at risk. Factors contributing to this condition included failure to adjust mail flow, sort plans, and staffing to meet operational changes, particularly when implementing consolidations and realignments. We identified a very small amount of stand-by time (or idle time) during this period; thus, it appears the vast majority of employees were engaged in processing mail. Contributing factors also included underestimating mail volumes, underutilizing machines, not consistently color-coding mail, and not accurately identifying and reporting delayed mail. We have referred three instances of intentional misreporting of delayed mail

to the Office of Investigations over the past several years.

WHAT THE OIG RECOMMENDED:

We recommended the vice president, Network Operations, coordinate with area vice presidents to promptly assess mail volumes and swiftly adjust workhours, assignments, sort plans, transportation, machine run times, and any other operational requirements to ensure that customer service commitments are satisfied.

Further, we recommended the vice president, Network Operations coordinate with the vice president Consumer and Industry Affairs to ensure Postal Service Business Service Network (BSN) representatives promptly resolve Postal Service mailer inquiries pertaining to delayed mail.

WHAT MANAGEMENT SAID:

Management agreed with the recommendations and indicated they will develop checklists, action plans, and scheduling models to assist plant management in planning for fall mail volume variations. In addition, operations will work with the BSN and Customer Outreach to identify plant specific hotspots for delays and identify areas for improvement.

Link to review the entire report



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

September 7, 2011

MEMORANDUM FOR: DAVID E. WILLIAMS
VICE PRESIDENT NETWORK OPERATIONS

SUSAN LACHANCE
VICE PRESIDENT CONSUMER AND INDUSTRY AFFAIRS

E-Signed by Robert Batta
VERIFY authenticity with e-Sign
Robert J. Batta

FROM: Robert J. Batta
Deputy Assistant Inspector General
for Mission Operations

SUBJECT: Audit Report – Postal Service Performance During the 2010
Fall Mailing Season (Report Number NO-AR-11-007)

This report presents the results of our audit assessing the U.S. Postal Service's mail processing performance during the fall of 2010 (Project Number 11XG019NO000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact James Ballard, Network Processing, or me at 703-248-2100.

Attachments

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TABLE OF CONTENTS

Introduction.....	1
Conclusion.....	1
Delayed Mail Trends and Site Comparisons.....	2
Contributing Factors to Delayed Mail	3
Richmond and St. Louis P&DCs Observations	4
Mailer Scan Data.....	5
Impact.....	6
Management's Comments	7
Evaluation of Management's Comments	8
Appendix A: Additional Information	9
Background.....	9
Objective, Scope, and Methodology	9
Prior Audit Coverage	10
Appendix B: Other Impacts.....	13
Appendix C: Prior Audit Reports -.....	14
Contributing Factors to Excessive Delayed Mail	
Appendix D: Management's Comments.....	15

Introduction

This report presents the results of our audit assessing the U.S. Postal Service's mail processing performance during the 2010 Fall Mailing Season (Project Number 11XG019NO000). This self-initiated audit addresses operational risk. The audit objective was to assess the timeliness of the Postal Service's processing of mail during the 2010 Fall Mailing Season. See Appendix A for additional information about this audit.

Some Postal Service mailers expressed concerns with the Postal Service's performance during the 2010 Fall Mailing Season regarding timely processing of mail. Specifically, their concerns were that mail delays were significantly higher and more widespread than in prior years. Generally, the Postal Service's performance is impacted in the fall due to higher than normal Standard Mail[®] volumes in response to increases in advertising campaigns for back to school and winter holidays. Mailers also indicated that they provided Confirm/Intelligent Mail Barcode (IMB)¹ scan data to Postal Service Business Service Network (BSN) representatives² indicating where mail delays were occurring but never received feedback. The mailers felt their concerns were not being adequately addressed by the Postal Service.

Conclusion

During the 2010 Fall Mailing Season, Postal Service delayed mailpieces were approximately 3.4 billion, or 6 percent of total mail volume. This represented a delayed mailpiece increase of 904 million, or 37 percent from the same period last year. Approximately 95 percent of this delayed mail was Standard Mail.

This adversely impacted service and resulted in approximately \$10.9 million in revenue at risk (see Appendix B). Because the audit started after the 2010 Fall Mailing Season, we could not directly observe the reasons for the delays at that time. However, based on our body of work regarding delayed mail, as well as inquiries and site visit observations, we summarized possible contributing factors as follows.

- Failure to adjust mail flow, sort plans, and staffing timely to meet operational changes during the peak mailing season, particularly when implementing consolidations and network realignments.
- Underestimating 2010 Fall Mailing Season mail volumes.
- Underutilizing mail processing machines.

¹ Confirm and IMB services provide information via a unique barcode on when the Postal Service receives mail and when it is sorted on the automated equipment.

² Postal Service Business Service Network Representatives respond to customer service complaints from Postal Service customers.

- Not consistently color-coding mail and maintaining the proper color-code throughout processing, and not accurately identifying and reporting delayed Standard Mail. We have referred three instances of intentional misreporting of delayed mail to the Office of Investigations over the past several years.
- Not utilizing a Standard Mail service measurement system to identify causes for mail delays and not providing guidance to plant management to mitigate those delays.

Also, Postal Service BSN representatives did not always properly address Postal Service mailer delayed mail concerns. On the other hand, we identified a very small amount of stand-by time³ during this period; thus, it appears this was not a cause of the delays as the vast majority of employees were engaged in processing mail.

Delayed Mail Trends and Site Comparisons

Delayed mail volumes increased significantly during the 2010 Fall Mailing Season or Quarter 1 fiscal year (FY) 2011. We found the Postal Service had more 3.4 billion delayed mailpieces, which represented 6 percent of total mail volume. During this period, delayed mailpieces increased by 904 million, or 37 percent from the same period last year. Approximately 95 percent of this delayed mail was Standard Mail.

We also concluded that Group 1 plants⁴ delayed mail totaled almost 1.2 billion or 5 percent of the total Group 1 plants mail volume. The Group 1 plants experienced an increase in delayed processing of 398 million mailpieces, or 49 percent from the same period last year. The Pittsburgh Processing and Distribution Center (P&DC) had the highest percentage of delayed mail as a percent of First Handled Pieces (FHP) (see Table 1).

³ Work hours of mail processing employees who are kept on the clock, but are idle.

⁴ Group 1 plants represent the largest 43 mail processing facilities in the Postal Service. During Quarter 1, FY 2011, the Group 1 largest mail processing facilities accounted for approximately 20 percent of overall mail volume and approximately 35 percent of overall delayed mail volumes.

Table 1: Group 1 Plants Delayed Processing as a Percent of FHP for the 2010 Fall Mailing Season

Ranking	Plant	Percent of FHP
1	Pittsburgh P&DC	
2	St. Louis P&DC	
3	Carol Stream P&DC	
4	Cleveland P&DC	
5	Columbus P&DC	
6	Richmond P&DC	
7	Philadelphia P&DC	
8	North Metro P&DC	
9	Milwaukee P&DC	
10	Michigan Metroplex P&DC	

The *President's Commission on the U.S. Postal Service* report dated July 31, 2003, states that the mission of the Postal Service is:

... to provide high-quality, essential postal services to all persons and communities by the most cost-effective and efficient means possible at affordable and, where appropriate, uniform rates.

Title 39 U.S.C., Part 1, Chapter 4, §403, states:

The Postal Service shall plan, develop, promote, and provide adequate and efficient postal services at fair and reasonable rates and fees.

The *Postal Accountability and Enhancement Act of 2007*, amended Title 39 U.S.C. to require the Postal Service "... establish a set of service standards. ..." Additionally, the Postal Service is required to establish performance goals for those standards.

Contributing Factors to Delayed Mail

Because our audit started after the 2010 Fall Mailing Season, we could not directly observe the reasons for the delays at that time. However, based on Postal Service management inquiries, our prior work regarding delayed mail (see Appendix C), and facility observations, we summarized possible contributing factors as follows.

- Failure to adjust mail flow, sort plans, and staffing timely to meet operational changes during the peak mailing season, particularly when implementing consolidations and realignments.

- Underestimating mail volumes for the 2010 Fall Mailing Season. Also, FHP mail volume increased from 46.5 billion pieces in Quarter 1, 2010 to 49 billion pieces in Quarter 1, 2011, a 5.4 percent increase.
- Failure to fully use machine capacities by reducing idle time during peak volume periods. Five facilities with the highest amount of delayed mail as a percent of FHP for the 2010 Fall Mailing Season could better use machine capacity on the Automated Flat Sorter Machine (AFSM) 100, Automated Package Processing System (APPS), and Small Parcel Bundle Sorter (SPBS). On average, these machines all operated at daily runtimes lower than the goal of 20 hours (see Table 2). By increasing machine runtime, the facilities could process more mail and minimize delayed mail volumes.

Table 2: Average Daily Machine Run Times (in hours) FY 2011 Quarter 1

	Pittsburgh	St. Louis	Carol Stream	Cleveland	Columbus
AFSM	10.02	9.16	7.95	7.73	7.00
APPS	15.64	12.07	NA*	NA	13.17
SPBS	16.31	4.20	NA*	13.07	12.02

*NA indicates that plant does not use this type of equipment.

Failure to properly color-code the mail, thereby preventing processing mail in a first-in, first-out (FIFO) method and not accurately identifying and reporting delayed Standard Mail. Our previous audits and observations showed most of the reporting errors were due to misinterpretation of the color-code policy by the mail clerks. We referred three instances of intentional misreporting of delayed mail to the Office of Investigations over the past several years.

- Not using a Standard Mail service measurement system to identify causes for mail delays and not providing guidance to plant management to mitigate those delays.

Richmond and St. Louis P&DCs Observations

The Richmond and the St. Louis P&DCs experienced delayed mail during FY 2010. The causes for the excessive delayed mail at the Richmond P&DC were inadequate staffing and supervision, low mail throughput on machines, failure to consistently color-code arriving mail, and not accurately identifying and reporting delayed mail. Also, mail damage from poorly packaged mail resulted in delayed processing of flat mailpieces. Our observations at the St. Louis P&DC in April 2011 revealed that excess delayed mail occurred from not adjusting mail flow, sort plans, and staffing timely to meet operational requirements and from not accurately identifying and reporting delayed mail.

**Picture 1: Excessive Delayed
Mail in Staging Area at the
Richmond P&DC**

(June 7, 2011, 5:42 a.m.)



**Picture 2: Week old Delayed
Mail observed at the St. Louis
P&DC.**

(March 30, 2011, 8:50 a.m.)



Mailer Scan Data

Postal Service BSN representatives did not always provide timely feedback to business mailers regarding mail delays. Business mailers indicated they provided the Postal Service BSN representatives with detailed scan data showing the location of mail delays. However, the mailers indicated they did not always receive a follow-up response from the Postal Service.⁵ In our survey of 107 Postal Service BSN representatives,

⁵ The Postal Service maintains a CustomerFirst! System for issues related to late and no delivery of mail for all classes of mail to track service requests including business mailer complaints.

approximately 84 percent indicated they forward mailer scan data⁶ to operations and provided a response to the mailer after receiving operations feedback. However, the survey showed in some instances, they did not receive feedback from operations. In other cases, the BSN representatives provided mailers with a non-descript response, such as “your concerns have been elevated to the appropriate person.”

On the other hand, the nationwide stand-by time totaled more than 67,000 hours or .12 percent of total mail processing workhours during the 2010 Fall Mailing Season. Thus, it appears this was not a cause of the delays as the vast majority of employees were engaged in processing mail.

Impact

Mail delays may cause mailers to seek alternative delivery methods resulting in the potential loss of revenue for the Postal Service. We estimate that delayed mail for the 2010 Fall Mailing Season placed approximately \$10.9 million in Postal Service revenue at risk.⁷ Excessive delayed mail also negatively impacts customer service as demonstrated by the following scores. The service scores for the 10 Group 1 plants that experienced the highest volume of delayed processing during the 2010 Fall Mailing Season generally lagged behind national service scores (see Table 3).

Table 3: FY 2011 Quarter 1 External First-Class Service Scores for Group 1 Plants

	Overnight	2-Day	3-Day
National Average			
Pittsburgh P&DC			
St. Louis P&DC			
Carol Stream P&DC			
Cleveland P&DC			
Columbus P&DC			
Richmond P&DC			
Philadelphia P&DC			
North Metro P&DC			
Milwaukee P&DC			
Michigan Metroplex P&DC			

⁶ The Postal Service is in the process of developing a Standard Mail measurement system using scan data. This will allow the Postal Service to be more proactive in identifying mail processing delays. We plan on examining this issue in a separate audit.

⁷ Revenue at risk was calculated by multiplying Quarter 1, FY 2011 delayed mail volume of more than 3.4 billion pieces by the average revenue per mailpiece of 32 cents. We conservatively estimated the revenue at risk for mailers selecting alternative delivery methods as 1 percent of this total.

Recommendations

We recommend the vice president, Network Operations; coordinate with area vice presidents to:

1. Direct plant managers, especially at mail processing facilities where consolidations are occurring, to promptly assess mail volumes and swiftly adjust workhours, assignments, sort plans, transportation, and any other operational requirements to ensure that customer service commitments are satisfied.
2. Increase machine runtime during peak volume periods.
3. Direct the plant and area color-code coordinators to conduct periodic color-code reviews at mail processing facilities and ensure employees are properly trained on color-code policies and procedures.
4. Reinforce the requirement for local plant management to verify mail condition counting and reporting at all mail processing facilities.
5. Use a Standard Mail service measurement system to identify causes for mail delays and provide guidance to plant management to mitigate those delays.

We recommend the vice president, Network Operations; coordinate with the vice president, Consumer and Industry Affairs:

6. To instruct Postal Service Business Service Network representatives to ensure Postal Service mailer inquiries pertaining to delayed mail are resolved promptly.

Management's Comments

Management agreed with the recommendations and indicated they will develop checklists, action plans, and scheduling models to assist plant management in planning for fall mail volume variations. They will also require all supervisors and craft employees be trained on the national color-code policy. Furthermore, a self audit form has been provided to the color code coordinators for use in facility reviews. In addition, management will instruct plants to review daily mail condition reporting and periodically audit counting and reporting activities. Management also agreed to improve standard mail service by using a national Critical Entry Time for designating Standard Mail along with the proper application of color coding. Finally, operations will work with the BSN and Customer Outreach to identify plant specific 'hotspots' for delays and identify areas for improvement. See Appendix D for management's comments, in their entirety.

Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to the recommendations and management's corrective actions should resolve the issues identified in the report.

Appendix A: Additional Information

Background

Postal Service mailers expressed concerns with the Postal Service's performance during the 2010 Fall Mailing Season with regards to its timely processing of mail. Specifically, their concerns were that mail delays were significantly higher and more widespread than in prior years. Generally, the Postal Service's performance is impacted in the fall due to higher than normal Standard Mail volumes in response to increases in advertising campaign for back to school and winter holidays. Mailers also indicated that they provided Confirm/IMB scan data to Postal Service BSN representatives showing where mail delays were occurring but never received any feedback. The mailers felt their concerns were not being adequately addressed by the Postal Service.

Furthermore, mailers were concerned that the Postal Service's 'Network Rightsizing Strategy' via facility consolidations and closures was also negatively impacting performance. Specifically, they were concerned:

- Union members may be delaying mail to show opposition to consolidations and closures.
- Plant supervisors had a daunting task of anticipating operational changes and making required staffing changes in an environment that was becoming less flexible.
- There was constant pressure on the Postal Service to reduce costs.

Objective, Scope, and Methodology

Our objective was to assess the Postal Service's performance during the 2010 Fall Mailing Season. To meet our objective, we conducted interviews; performed analysis of mail volumes, workhours, and machine output; analyzed trends; and conducted observations at the Richmond and St. Louis P&DCs. We also reviewed prior OIG reports with regard to the timely processing of mail over the last 5 years. In addition, we conducted an electronic survey of Postal Service BSN representatives to determine whether they use Confirm/IMB scan data provided by the mailers to address delayed mail concerns.

We used computer-processed data from the Web Mail Condition Reporting System, Enterprise Data Warehouse, and Management Operating Data System. We pulled data from October 1, 2009, through December 31, 2010, but did not test controls over these systems. However, we checked the reasonableness of results by confirming our analysis and results with management and multiple data sources. We conducted this performance audit from February through September 2011 in accordance with generally accepted government auditing standards and included such tests of internal controls, as we considered necessary under the circumstances. Those standards require that we

plan and perform the audit to obtain sufficient appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on July 12, 2011, and included their comments where appropriate.

Prior Audit Coverage

Report Title	Report Number	Final Report Date	Report Results
<i>Implementation of Lima, OH to Toledo, OH Area Mail Processing Consolidation</i>	EN-AR-11-004	3/31/2011	We recommended management promptly assess the current mail volume and swiftly adjust workhours, sort plans, transportation, and any other operational requirements to ensure the Toledo P&DC meets customer and service commitments; expedite filling vacant positions; and assess any additional staffing requirements at all levels. We also recommended they assess and take appropriate corrective action related to mail processing space and transport equipment requirements, dispatch discipline, contract drivers performing mail sortation, and late truck departures. They should also establish and deploy formal Area Mail Processing implementation teams to the gaining facilities for plant consolidations that result in a facility closure to ensure consolidations are implemented as approved and to identify and facilitate corrective actions timely.
<i>Color-coding of Mail and Mail Condition Reporting at the Albany Processing and Distribution Center</i>	NO-AR-10-005	3/31/2010	We recommended management provide oversight to ensure continuation of color code training; direct the district color-code coordinator to conduct periodic color-code reviews; provide mail condition training and oversight to employees
<i>Fort Worth Processing and Distribution Center Delayed Mail Issues</i>	NO-AR-09-009	9/14/2009	We recommended management follow established standards for identifying employees with attendance problems and ensure necessary disciplinary actions are taken for those who abuse leave privileges; ensure a sufficient number of employees are available to work Automated Flat Sorting Machines to process Standard Mail and Periodicals timely.

<i>Allegations Concerning Operations and Service in the Philadelphia Customer Service District</i>	NO-MA-09-001	3/30/2009	We recommended management provide color-code training and supervisory oversight to employees; verify the delayed mail volume counts conducted by data collection technicians; conduct regular meetings to foster good employee relations and more readily identify and address employees' concerns; and ensure that mail sent for recycling is properly verified. We also recommended they improve street supervision to ensure that carriers deliver mail in a timely manner; ensure that mail at carrier stations is delivered in a timely manner; improve communications and contingency planning when mail is directed to other plants for processing; expedite mail flow throughout the facility; ensure APPS operations are properly staffed and maintained. Further, we recommended they modify the APPS to reduce damage to packages; contact mailers to improve labeling and packaging; effectively communicate operational issues to employees; and evaluate staffing at each mail processing operation and delivery unit.
<i>Timeliness of Mail Processing at the San Juan Processing and Distribution Center</i>	NO-AR-09-002	1/29/2009	We recommended management monitor delayed mail daily and develop action plans, if necessary, to ensure timely processing of mail; develop and submit a request to modify the Universal Sorter Machine to reduce damaged mail; and assign accountability to ensure dispatches to the islands are accurate and expedite turn-around time of any mail sent to the wrong island. We also recommended they increase SPBS and AFMS windows of operation during peak volume periods; ensure employees are properly trained to identify delayed mail and ensure all mail is accurately reported on Web Mail Condition Reporting system; and consider and weigh the benefits of service over risks to all the U.S. Virgin Islands to keep and cancel local letter mail as is done in other U.S. territories.
<i>Mojave Post Office Facility Consolidation</i>	EN-AR-08-06	9/17/2008	We recommended management strengthen controls over highway contract routes by providing training and provide additional management oversight and ensure transportation changes are accurately recorded in the post implementation review

<i>Delayed Mail at the North Texas Processing and Distribution Center</i>	NO-AR-08-006	8/14/2008	We recommended management ensure supervisors oversee mail processing, monitor delayed mail regularly, and develop action plans; develop and implement a mail arrival profile; ensure Standard Mail and Periodicals are staged and processed using first-in, first-out procedures; rearrange delivery bar code sorters or move sort programs to different pieces of mail sorting equipment to eliminate bottlenecks in the dispatch of delivery point sequence mail; and direct sack mail operations be returned to the Dallas Bulk Mail Center.
<i>Delayed Mail at the Waco Processing and Distribution Facility</i>	NO-AR-08-002	3/13/2008	We recommended supervisors oversee mail processing and monitor delayed mail on a regular basis and develop action plans to ensure the timely processing of Standard Mail and develop a mail arrival profile to align staffing with mail flow.
<i>Timeliness of Mail Processing at the Chicago, Illinois Cardiss Collins Processing and Distribution Center</i>	NO-AR-07-012	9/28/2007	We recommended management provide consistent, quality supervision and training; improve planning; make employees accountable; and continue monitoring and adjusting mail processing operations to ensure the timely processing of mail.
<i>Mail Processing at the Southeastern Pennsylvania Processing and Distribution Center</i>	NO-AR-07-007	8/6/2007	We recommended management implement procedures for finalizing Southeastern P&DC's working mail at other facilities when volume exceeds capacity and instruct the plant managers to process mail using a first-in first-out method.
<i>Timeliness of Mail Processing at the Los Angeles, California, Processing and Distribution Center</i>	NO-AR-07-001	2/9/2007	We recommended management correct deficiencies in the processing of Periodicals and Standard Mail and continue monitoring and adjusting mail processing operations to ensure that all mail is processed in a timely manner.

Appendix B: Other Impacts

Finding	Impact Category	Amount
Delayed Mail	Revenue at Risk ⁸	\$10.9 million

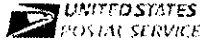
⁸ Revenue that the Postal Service is at risk of losing (for example, when a mailer seeks alternative solutions for services currently provided by the Postal Service).

Appendix C: Prior Audit Reports -
Contributing Factors to Excessive Delayed Mail

Report Number	Report Issue Date	Facility	Operational Management	Under-estimating Mail Volume	Equipment Usage	Color-Coding & Reporting
NO-AR-07-001	02/09/07	Los Angeles, CA P&DC			√	
NO-AR-07-007	08/06/07	Southeastern PA P&DC	√			√
NO-AR-07-012	09/28/07	Cardiss Collins, IL P&DC	√			
NO-AR-08-002	03/13/08	Waco, TX P&DC	√			√
NO-AR-08-006	08/14/08	North Texas, TX P&DC	√			√
EN-AR-08-006	09/17/08	Mojave, CA Post Office	√			
NO-AR-09-002	01/29/09	San Juan, PR P&DC			√	√
NO-MA-09-001	03/30/09	Philadelphia, PA P&DC	√			√
NO-AR-09-009	09/14/09	Fort Worth, TX P&DC	√			
NO-AR-10-005	03/31/10	Albany, NY P&DC	√			√
EN-AR-11-004	03/31/11	Lima, OH P&DF	√	√		

Appendix D: Management's Comments

Edward C. Williams
Acting Director, Audit Operations



August 29, 2011

Shirian B. Holland
Acting Director, Audit Operations

SUBJECT: Draft Audit Report – Postal Service Performance During the 2010
Fall Mailing Season (Report Number NO-AR-11-Draft)

Thank you for the opportunity to review and comment on the Draft Audit Report -
Postal Service Performance During the 2010 Fall Mailing Season.

Management agrees with the recommendations in this draft report and will
address each separately below.

Recommendation 1.

Direct plant managers, especially at mail processing facilities where
consolidations are occurring, to promptly assess mail volumes and swiftly adjust
workhours, assignments, sort plans, transportation, and any other operational
requirements to ensure that customer service commitments are satisfied.

Management Response/Action Plan:

Management agrees with this recommendation. In response to the specific
areas of improvement identified in the report, the following information is
provided:

1. A detailed Fall Mailing Season Checklist was presented via the Manager,
In-Plant Support (MIPS) bi-weekly meeting, with distribution under cover
letter from the Manager, Processing Operations to assist facilities in
planning a successful 2011 fall mailing season
2. Daily condition push reports are provided by our National Operations
Center (NOC) to the field for response to the Chief Operating Officer and
Vice President, Network Operations for actions plans to mitigate identified
issues.
3. Lean Six Sigma initiatives are being pursued by each area office having
sites listed on the top 15 fiscal year (FY) 2010 chronic mail delayed list to
determine root causes.

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- 2 -

4. Flats Sequencing System (FSS) fall mailing contingency plans for FY2011 have been provided to the field to provide assistance in managing projected fall mail volumes.
5. The Mail Processing Employee Scheduler (MPES) and Mail Processing Staffing Opportunity Model (MPSOM) on the Variance Programs link on the Blue Page are provided to management as a tool to react to and plan for volume variations in operations and schedule accordingly.

Target Implementation Date:

September 30, 2011

Responsible Official:

Marty Bender, Manager, Processing and Distribution Center Operations

Recommendation 2:

Increase machine runtime during peak volume periods.

Management Response/Action Plan:

Management agrees with this recommendation. The Area Managers of In-Plant Support were provided historical drop shipment for the fall mail period to plan for increased opportunities to increase equipment capacity and operating windows. Plants are further instructed to update their Run Plan Generator (RPG) plans based upon fall volume projections and maximize processing to meet anticipated increases in volume. The RPG is updated each week for employee scheduling and managing of daily mail conditions.

Target Implementation Date:

October 31, 2011

Responsible Official:

Marty Bender, Manager, Processing and Distribution Centers Operations

Recommendation 3:

Direct the plant and area color-code coordinators to conduct periodic color-code reviews at mail processing facilities and ensure employees are properly trained on color-code policies and procedures.

- 3 -

Management Response/Action Plan:

Management agrees with this recommendation. A Learning Management System (LMS) module for the National Color Code Policy has been added and is now required for all Function 1 EAS supervisors, managers, and designated craft employees. An updated self-audit form has been provided to Area Color Code Coordinators for use in mail processing facility reviews.

Target Implementation Date:

October 31, 2011

Responsible Official:

Marty Bender, Manager, Processing and Distribution Center Operations

Recommendation 4:

Reinforce the requirement for local plant management to verify mail condition counting and reporting at all mail processing facilities.

Management Response/Action Plan:

Management agrees with this recommendation. Plants are instructed to review daily mail condition reporting and periodically audit counting and reporting activities. The daily push NOC condition reports further emphasize the need to maintain the integrity of daily condition reports. Plants will conduct audits on employee's counting and reporting of conditions.

Target Implementation Date:

December 31, 2011

Responsible Official:

Marty Bender, Manager, Processing and Distribution Center Operations

Recommendation 5:

Use a Standard Mail service measurement system to identify causes for mail delays and provide guidance to plant management to mitigate those delays.

Management Response/Action Plan:

Management will continue to drive Standard Mail service improvement through compliance with the 18:00 National CET for destinating Standard Mail and the

- 4 -

proper application of color codes to all Standard Mail at entry. This in conjunction with continued utilization of the RPG plans will be used to provide processing capacity to meet customer requirements.

Target Implementation Date:

November 30, 2011

Responsible Official:

Marty Bender, Manager, Processing and Distribution Center Operations

Recommendation 6:

Instruct the Postal Service Business Service Network representatives to ensure Postal Service mailer inquiries pertaining to delayed mail are resolved promptly.

Response:

Management agrees with this recommendation. Operations will work with the Business Service Network and Customer Outreach to identify plant specific hot spots for delays. We will utilize specific customer data in conjunction with Postal information to identify areas for improvement. Mailer alerts will be presented in bi-weekly MIPS meetings to alert Areas of upcoming mailings for customers on the watch list.

Target Implementation Date:

November 30, 2011

Responsible Official:

Marty Bender, Manager, Processing and Distribution Center Operations

We do not believe that this report contains any propriety or business information and may be disclosed pursuant to the Freedom of Information Act.



David E. Williams

- 5 -

cc: Megan Brennan
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Jordan M. Small
Jo Ann Feindt
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Linda J. Welch
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Frank Neri
Corporate Audit and Response Management

**The Economic Impact of
Postal Service Reductions
in Sangamon County**

October 31, 2011

Regional Development Institute

Northern Illinois University

DeKalb, IL 60115

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NIU Regional
Development Institute
NIU Outreach

The Economic Impact of Postal Service Reductions in Sangamon County was prepared by John Lewis and Lisa Bergeron of the Regional Development Institute at Northern Illinois University under agreement with the Greater Springfield Chamber of Commerce. Questions and inquiries regarding the contents of this report can be directed to John Lewis (815) 753-0936 or Lisa Bergeron (815) 753-0924. For more information on NIU Outreach and the Regional Development Institute, please visit our website at www.niurdi.org or www.outreach.niu.edu.

The findings and conclusions presented in this report are those of the authors/project team alone and do not necessarily reflect the views, opinions, or policies of the officers and/or trustees of Northern Illinois University.

Economic Impacts of Postal Service Reductions on the Sangamon County Economy

The Regional Development Institute (RDI) at Northern Illinois University completed an analysis of the economic impact of job losses on the Sangamon County economy as a result of consolidation of mail processing services with a St. Louis facility which would result in the loss of lose approximately 300 jobs. The following analysis represents losses in annual economic impacts in Sangamon County as a result of this change.

The analysis was completed using the IMPLANPro input/output model developed by Implan group. The model is unique in that the I/O coefficients are based on 2008 county specific patterns and include both industry specific direct and indirect impacts. Direct impacts are those that result from annual operations such as employee compensation, output, and taxes. Indirect impacts are the secondary effects on the area. For example, as a result of operations, the Sangamon County economy will experience increased economic activity. This leads to increases in employment, employee compensation, and output in retail trade, professional services, and other industry sectors. The analysis does not include any economic impacts related to the loss of jobs from the postal service reductions on surrounding counties.

The economic impacts in this analysis were developed based on a United States Postal Service facility with total decreased employment of 300 full- and part-time employees. Analysis for this industry was completed based on the North American Industrial Classification Code 491110 – Postal delivery services, local, operated by U.S. Postal Service, which is the lowest level of detail available.

The economic impacts for the postal service facility reductions are based on the following assumptions derived from estimates provided:

- Loss of 300 postal service jobs in Sangamon County
- Estimated loss of \$23.5 million in direct employee compensation

Sangamon County Postal Service Reductions			
	Direct	Indirect	Total
Operations (annually)			
Employment (full- and part-time)	300	145	445
Employee Compensation	\$23.5 mil	\$5.7 mil	\$29.2 mil
Output	\$26.3 mil	\$16.4 mil	\$42.7 mil
Value Added (County GDP)	\$21.7 mil	\$9.9 mil	\$31.6 mil

SUMMARY OF EMPLOYMENT IMPACTS

- The postal service reductions will eliminate 300 full- and part-time workers in Sangamon County. Indirect employment of 145 jobs will also be lost in the county as a result of operations.
- Indirect employment losses will have the greatest impact in the services sector (100) and retail trade (35).

SUMMARY OF OUTPUT IMPACTS

Output is used as a measure of overall industry productivity and represents the value of an industry's business activities including sales.

- The postal service reductions will reduce \$42.7 million in direct and indirect economic activity (sales and output) in Sangamon County annually, \$26.3 million in direct and \$16.4 million in indirect output.
- Industries with the highest indirect output losses include the services sector (\$11.7 mil) and retail trade (\$2.6 mil).

SUMMARY OF VALUE ADDED (Wealth) AND EMPLOYEE COMPENSATION

Value Added is a measure of wealth (Gross County Product) created by a business in terms of total of employee compensation, rent, interest, taxes, and profit paid or earned. Value Added is an important indicator of the industry's productivity and regional sector strength. Employee compensation includes wages and employee benefits.

- The postal service reductions will decrease the value added (wealth) of the county by over \$31.6 million, \$21.7 million from the operations directly and \$9.9 million from indirect impacts on other industries in the region.
- Direct and indirect employment by the postal service reductions will result in loss of annual employee compensation of \$29.2 million paid by Sangamon County employers, \$23.5 million directly by the postal service, and an additional \$5.7 million from indirect employment in other industries in the region.

- Indirect employee compensation losses will be greatest in the services sector (\$4.0 mil) and trade (\$1.1 mil).
- Average annual employee compensation for the postal service workers is estimated to be approximately \$78,000 including fringe benefits.

TAX IMPACTS

- The proposed postal service reductions will result in a loss of \$1.7 million in state and local taxes including \$102,000 in local sales taxes.